

Bonds & Levies: The Seeds of School Funding

Frequently Asked Questions (FAQs)

Funding for education in the state of Washington is complicated and can lead to questions sprouting up about how schools receive the money needed to serve our community's children. We all know money doesn't grow on trees and funds for schools grow from three main seeds:

1. state funding for basic education,
2. bonds, and
3. levies.

The state of Washington is required to supply school districts with state funding for "[basic education](#)." Funding for basic education is based on a "[prototypical school model](#)" which represents the Legislature's allocation of resources required to provide the program of basic education.

Outside of state funding, schools may receive money for facilities, programs, and services from voter-approved bonds and levies. Because the funding provided by the state does not cover the actual costs to operate a school district, districts often utilize bonds and levies to bridge the gap.

This Frequently Asked Questions (FAQ) document aims to help explain the primary ways that school districts in the state of Washington receive funding and why local, voter-approved bond and levy measures are critical to funding education.

DEFINITIONS:

Q: What is the difference between a bond and levy?

A: The easiest way to remember the difference between a bond and a levy is: **Bonds are for building and levies are for learning.** * Bonds and levies provide schools with funds that must be used for specific purposes. **The statement "levies are for learning" primarily refers to enrichment levies.*

1. A **Levy** is a local property tax passed by the voters of a school district that generates revenue to fund programs and services that the state does not pay for as part of "basic education." Because the funding provided by the state does not cover the actual costs to operate a school district, districts often use levy funds to hire additional staff, or for student programming and services that are underfunded or not funded by the state. Some of the many things that levies help to fund may include: extracurricular activities, special education, transportation, food service, operations, grounds and maintenance, preschool, and other activities. There are three main types of levies: enrichment, capital, and transportation levies, although this is not a complete list.
 - a) **Enrichment levies**, also known as Educational Programs and Operations (EP&O) levies and Maintenance and Operations (M&O) levies, allow a school district to provide things like teachers, support staff, supplies and materials, or services that the state only partially funds. Funding provided by the state does not fully cover the actual costs to operate a school district, so enrichment levies fill in the gap.
 - Examples include: more teachers for smaller class sizes, additional counselors or nurses, student activities and sports, staff training, or preschool programs. Enrichment levies can be approved for up to four years.

Other levies that fall outside the broad definition of an enrichment levy include:

Bonds & Levies: The Seeds of School Funding

Frequently Asked Questions (FAQs)

- b) **Capital levies (which includes tech levies)** to fund things like modern technology, enhanced building security, and smaller renovation projects. Capital levies can be approved for up to six years.
- c) **Transportation levies** fund things like new buses or major repairs to older buses to prolong their useful life. Transportation levies can be approved for up to two years.

NOTE: In simple terms, a **replacement levy** is the renewal of an existing enrichment, capital, or transportation levy that is about to expire. Typically, if a district is asking for a replacement levy to be approved by voters, it means that it is simply the continuation of an existing tax.

- 2. **A Bond** is a long-term investment that authorizes the district to purchase property for schools, construct new schools, or modernize existing schools. Bonds are sold to investors who are repaid with interest over time from property tax collections, generally between 12-20 years.

Q: How are bonds and levies approved?

A: Both bonds and levies require voter approval, but in Washington bonds require a higher majority of voter approval than levies.

- a) **Bonds** require a supermajority to pass (60%).
- b) **Levies** require a simple majority to pass (50% + 1).

BOND QUESTIONS

Q: How is the investor “rating” of a bond determined?

A: When a bond issue is approved by voters, the school district receives a “rating” on its financial condition. This “rating” communicates the level of risk to investors who may purchase the district’s bonds. The higher a district’s rating, the lower the risk to investors and the lower the interest rate district taxpayers will pay for that bond.

LEVY QUESTIONS

Q: What is a levy rate?

A: A levy rate is the amount of property tax per \$1,000 of assessed property value to fund a voter approved levy amount. A levy rate of \$1.00 means that for every \$1,000 of property value, the owner of the property will have to pay \$1.00 in taxes.

- Example: If a homeowner has a home valued at \$200,000 and the levy rate is \$1.00 for every \$1,000 of assessed property value, the homeowner will pay \$200 annually in property taxes.

Q: Why do different districts generate different amounts of levy dollars when they have the same estimated levy rate?

A: Districts can have the same levy rate but raise very different amounts of money because the total property value within a district’s boundary varies greatly across the state. For example, a levy rate of \$1.00 in a district with an average property value of \$200,000 will generate \$200 per household in levy funding.

Bonds & Levies: The Seeds of School Funding

Frequently Asked Questions (FAQs)

- On the other hand, a district with a \$1.00 levy rate and an average property value of \$700,000 will generate \$700 per household for the same level of property tax.
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Q: How often can school districts run levies?

A: Depending on the type of levy (enrichment, capital (including tech), or transportation), voters can approve levies for one to six years. After the allotted number of years, the levy expires. Districts may then go back to their voters and ask for a continuation, or replacement levy.

Q: How often can school districts run enrichment levies?

A: Voters can approve an enrichment levy for up to four years. After the allotted number of years, the levy expires. Districts typically then go back to their voters and ask for a continuation, replacement, or enrichment levy.

Q: Is there a limit on the dollar amount a district may propose for an enrichment levy?

A: Yes. This maximum dollar amount is known as the “levy lid.” As part of the changes the Legislature made to the way the state funds education in Washington, also known as the “McCleary decision,” levy rates are capped at \$2.50 per \$1,000 of assessed property value. A levy may not collect more than \$2,500 per student maximum (\$3,000 per student in Seattle only), a dollar threshold which is adjusted annually based on inflation. **NOTE: the levy lid only applies to enrichment levies, not capital or transportation levies.*

STATE FUNDING QUESTIONS

Q: Do all public schools receive state funding?

A: Yes, but the amount that districts receive varies based on a number of factors.

For example: Enrollment, regional cost of living differences, poverty rates, and the number of special needs or non-English speaking students are all factors in the amount of state funding a district receives. Most districts also receive additional federal funding, which is mostly determined by levels of poverty and special needs populations within a district.

Q: Didn't Washington schools already receive money from the state because of the McCleary decision?

A: Yes, but the funding does not cover the actual costs of operating a school district. The Washington State Supreme Court decision on the McCleary lawsuit resulted in public school districts seeing a net funding increase in 2018. Even though the state increased the amount of funding it was providing to school districts, it also capped the amount of funding school districts can raise from local levies. The Legislature also applied restrictions to how funding can be used. For local school districts, this means that levies have been significantly impacted, causing widespread confusion in communities across the state.

Bonds & Levies: The Seeds of School Funding

Frequently Asked Questions (FAQs)

Q: What are “state match dollars”?

A: Many school districts can qualify for additional financial assistance from the state of Washington to help build or modernize facilities. The state determines the amount of square footage that each student needs (the amounts are different for elementary, middle, and high schools) and assigns a dollar amount per square foot based on current average construction cost estimates. Both new construction and remodeling projects can be eligible for state assistance. While these matching funds are helpful for bond projects, only a limited percentage of actual costs are typically covered using this formula, leaving the rest of the cost to the school district and the local community (via a bond or capital levy).

Q: What are school “impact fees”?

A: School district boards and county governments can pass policies requiring developers to pay “impact fees” on all new construction to help pay for new schools. An **impact fee** is a **fee** that is imposed by a local government on a new or proposed development project to pay for all or a portion of the costs of providing public services to the new development, such as a school. Impact fees are more common in high growth areas where new homes are creating the need for additional classrooms or schools. Generally, impact fees alone will not generate enough money to build a new school.

Q: Is there a tax break for senior citizens?

A: Yes! Washington State law provides two tax benefit programs for senior citizens and individuals who are disabled: property tax exemptions and property tax deferrals. For more information on qualifications, please contact your [local county assessor's office](#).